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**BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA**

**Docket No. 2008-328-C**

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In Re: Application of Time Warner Cable Information Services (South Carolina) LLC, d/b/a Time Warner Cable to Amend its Certificate of Public Convenience and Necessity to Provide Telephone Services in the Service Area of PBT Telecom, Inc. and for Alternative Regulation

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**PUBLIC VERSION**

**DIRECT TESTIMONY OF**

**WARREN R. FISCHER, C.P.A.**

**ON BEHALF OF**

**TIME WARNER CABLE INFORMATION SERVICES (SOUTH CAROLINA) LLC**

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## EXHIBITS

Exhibit WRF-1:	Curriculum Vitae
Exhibit WRF-2:	PBT Telephone Company, Inc. Alternative Regulation Plan
Exhibit WRF-3:	Cited Portions of PBT's 2007 Telecommunications Company Annual Report
Exhibit WRF-4:	Cited Portions of PBT's 2003 Telecommunications Company Annual Report
Exhibit WRF-5:	Cited Portions of PBT's 2004 Telecommunications Company Annual Report
Exhibit WRF-6:	Cited Portions of PBT's 2005 Telecommunications Company Annual Report
Exhibit WRF-7:	Cited Portions of PBT's 2006 Telecommunications Company Annual Report
Exhibit WRF-8:	Cited Portions of AT&T South Carolina's 2007 Telecommunications Company Annual Report

1       **I.     INTRODUCTION**

2       **Q.     PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS FOR**  
3       **THE RECORD.**

4       A.     My name is Warren R. Fischer. I currently serve as Chief Financial Officer for QSI  
5       Consulting, Inc. ("QSI"). My business address is 2500 Cherry Creek Drive South,  
6       Suite 319, Denver, Colorado 80209.

7       **Q.     PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

8       A.     I have a Bachelor of Science degree in Business Administration with a concentration  
9       in Accounting from the University of Colorado in Boulder, Colorado. I am licensed  
10      as a Certified Public Accountant in the States of Colorado and California.

11      **Q.     PLEASE GIVE A BRIEF DESCRIPTION OF YOUR PROFESSIONAL**  
12      **EXPERIENCE**

13      A.     After graduating from the University of Colorado, I worked for several years as an  
14      accountant with Deloitte & Touche conducting financial audits. Thereafter, I worked  
15      for two major corporations as a financial analyst. I joined AT&T Wireless Services  
16      in 1995 as a financial analyst where I managed the preparation of annual revenue  
17      forecasts for the company's cellular division. In 1996, I transferred to AT&T Corp.  
18      where I became a financial manager and a subject matter expert on pricing and  
19      costing issues involving local exchange and exchange access services. In 2000, I  
20      joined QSI as a Senior Consultant. In 2007, I became QSI's Chief Financial Officer.

21      **Q.     HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS OR OTHER**  
22      **PUBLIC UTILITY COMMISSIONS?**

1       A.     While I have not testified before the Public Service Commission of South Carolina  
2             ("Commission"), I have testified at the FCC and before 18 other state commissions  
3             on rate of return issues as well as pro-competitive regulatory reform issues  
4             concerning universal service, inter-carrier compensation, and appropriate cost-based  
5             rates under the FCC's Total Element Long-Run Incremental Cost ("TELRIC")  
6             methodology. A more detailed description of the cases wherein I have provided  
7             testimony is included in my curriculum vitae as Exhibit WRF-1.

8       **Q.     ON WHOSE BEHALF ARE YOU FILING THIS TESTIMONY?**

9       A.     I am testifying on behalf of the Time Warner Cable Information Services (South  
10            Carolina) LLC ("TWCIS").

11

12       **II.    PURPOSE OF TESTIMONY**

13       **Q.     WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

14       A.     The purpose of my testimony is to demonstrate that the availability of affordable  
15             basic local exchange rates in PBT Telecom, Inc.'s ("PBT") service area is not at risk  
16             and that PBT is financially strong enough to withstand competition from TWCIS.  
17             While a local exchange carrier's ("LEC") financial health is not (and should not be)  
18             an explicit consideration in the Commission's evaluation of TWCIS's application  
19             under S.C. Code §58-9-280, I have nevertheless considered that issue in evaluating  
20             whether TWCIS' provision of service (1) will not adversely impact the availability of  
21             affordable local exchange service<sup>1</sup> and (2) provision of the service does not otherwise

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<sup>1</sup> See S.C. Code §58-9-280(B)(3).

1 adversely impact the public interest.<sup>2</sup> The other factors stated in §58-9-280 that are  
2 relevant to the Commission's determination in this proceeding are addressed in detail  
3 by the testimonies of August Ankum, Ph.D. and Julie Laine.

4 My testimony will describe the restriction on PBT's ability to raise basic local  
5 exchange rates under the terms of the alternative regulation requirements of §58-9-  
6 576 and demonstrate that PBT is a financially strong company through analysis of its  
7 financial results over the period 2003 - 2007. Dr. Ankum discusses general economic  
8 policy issues associated with TWCIS' application as well as the numerous services  
9 offered by PBT that will allow it to continue operating as a strong company after  
10 competitive entry by TWCIS into its market.

11  
12 **III. TWCIS' ENTRY WILL NOT ADVERSELY AFFECT THE**  
13 **AVAILABILITY OF AFFORDABLE LOCAL EXCHANGE**  
14 **SERVICE**

15 **Q. WHAT IS YOUR UNDERSTANDING OF THE ALTERNATIVE**  
16 **REGULATION PROVISIONS OF SOUTH CAROLINA CODE §58-9-576**  
17 **THAT IMPACT AN RLEC'S RATES?**

18 A. A rural local exchange carrier ("RLEC") such as PBT that elects to have the rates,  
19 terms, and conditions for its services determined pursuant to §58-9-576(B) is subject  
20 to the following terms and conditions on the rates it can charge for basic local  
21 exchange and all other services:

- 22 1. Residential flat-rated local exchange service and single-line business local  
23 exchange service rates in effect on the date of the LEC's election to be subject to

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<sup>2</sup> See S.C. Code §58-9-280(B)(5).

1 alternative regulation are the maximum rates it can charge for those services  
2 unless those rates are less than the statewide average local service rate, weighted  
3 by the number of access lines. For small LECs whose prices are less than the  
4 statewide average rate, the Commission may waive the cap on local service rates  
5 until the LEC's residential flat-rated local exchange service rate equals the  
6 statewide average local residential service rate, weighted by the number of access  
7 lines, and the single-line business flat-rated local exchange service rate equals  
8 two times the statewide average local residential service rate.<sup>3</sup>

9  
10 2. LECs subject to the local exchange service rate cap may adjust rates for  
11 residential flat-rate local exchange service and single-line business flat-rate local  
12 exchange service annually pursuant to an inflation-based index.<sup>4</sup>

13  
14 3. LECs have the flexibility to set rates for all other services at their discretion as  
15 long as rates do not discriminate unreasonably between similarly situated  
16 customers.<sup>5</sup>

17  
18 **Q. HAS PBT ELECTED ALTERNATIVE REGULATION FOR ITS SERVICES?**

19 A. Yes. PBT filed its Alternative Regulation Plan on January 19, 2006, and the  
20 Commission approved it on March 16, 2006.<sup>6</sup>

21 **Q. WAS PBT SUBJECT TO THE TWO-YEAR CAP ON RAISING LOCAL**  
22 **SERVICE RATES BEYOND THE RATES IN EFFECT ON THE DATE OF**  
23 **ITS ELECTION?**

24 A. Yes. In its Alternative Regulation Plan filing, PBT noted that its flat-rated local  
25 service rates for residential and single-line business customers were priced at the  
26 statewide average local service rates at the date of its election, January 19, 2006.<sup>7</sup>

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<sup>3</sup> See S.C. Code §58-9-576(B)(3).

<sup>4</sup> See S.C. Code §58-9-576(B)(4).

<sup>5</sup> See S.C. Code §58-9-576(B)(5).

<sup>6</sup> See PBT's Alternative Regulation Plan filed in Docket No. 2006-34-C and attached as Exhibit WRF-2. PBT's Alternative Regulation Plan was approved in Order No. 2006-166.

<sup>7</sup> See Application in Exhibit WRF-2, page 2.

1       **Q.    COULD PBT INCREASE ITS FLAT-RATED LOCAL SERVICE RATES FOR**  
2       **RESIDENTIAL AND SINGLE-LINE BUSINESS CUSTOMERS SINCE THE**  
3       **TWO-YEAR PERIOD HAS EXPIRED?**

4       A.    Yes. Since the two-year cap period expired January 18, 2008, PBT could raise its  
5       rates if the inflation-based index has increased to permit a rate increase. However,  
6       PBT will have to weigh the pros and cons of such an increase in light of the  
7       competitive alternatives offered by other carriers. Rather than risk losing current  
8       customers, the more rational response from a business perspective would be to reduce  
9       prices on its local exchange services or offer its customers attractive bundles of  
10      services to provide them an incentive to stay. PBT already offers its residential  
11      customers packages of bundled services.<sup>8</sup> These can be expanded to meet  
12      competitive threats. Dr. Ankum discusses the various services offered by PBT which  
13      include long distance, high speed Internet, wireless telephone, and video services at a  
14      minimum as well as the home security services it is in the process of offering. As Dr.  
15      Ankum's testimony explains in detail, bundled offers focus the customer's attention  
16      on the convenience and cost savings of receiving multiple services from a single  
17      provider and paying a single bill.

18      **Q.    DO SUBSEQUENT POTENTIAL RATE INCREASES BY PBT HAVE ANY**  
19      **RELEVANCE IN THIS CASE?**

20      A.    No. PBT's local service rates are already at the statewide average rate which is  
21      presumed to be an affordable rate based on the South Carolina General Assembly's

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<sup>8</sup> See residential local service product packages at PBT's website:  
<http://www.pbtcomm.net/bundled.asp>.

1 enactment of the statute defining the parameters of the statewide average rate  
2 calculation. Any decision by PBT to increase its rates will be independent of  
3 TWCIS's entry into its market and will also be limited to the inflation-based index  
4 stipulated by S.C. Code §58-9-576(B)(4).

5 **Q. BASED ON THE ALTERNATIVE REGULATION RULES DISCUSSED**  
6 **ABOVE, WILL TWCIS' APPLICATION IN THIS CASE ADVERSELY**  
7 **IMPACT THE AVAILABILITY OF AFFORDABLE LOCAL EXCHANGE**  
8 **SERVICE?**

9 A. No. To the contrary, TWCIS' entry into PBT's market will increase choices to  
10 customers and thus *promote* the availability of affordable local exchange service.

11  
12 **IV. PBT IS IN A STRONG AND HEALTHY FINANCIAL POSITION**  
13 **SUFFICIENT TO SUCCEED IN A COMPETITIVE MARKET**

14 **A. PBT's 2007 Financial Results**

15 **Q. PLEASE DESCRIBE PBTS' CURRENT FINANCIAL POSITION.**

16 A. My review of PBT's 2007 Telecommunications Company Annual Report ("Annual  
17 Report") filed with the Office of Regulatory Staff and the Commission finds that  
18 PBT is a profitable company with over [REDACTED]

19 [REDACTED] in retained earnings along with a balance sheet that reflects a

20 [REDACTED] net

1 working capital position and ~~CONFIDENTIAL~~ END

2 ~~CONFIDENTIAL~~ long-term debt.<sup>9</sup>

3 **Q. WHAT IS THE SIGNIFICANCE OF PBT'S RETAINED EARNINGS**  
4 **BALANCE?**

5 A. PBT's retained earnings balance reflects the accumulation of profits it has earned  
6 over a number of years. PBT has earned profits in excess of \$2 million per year over  
7 the last five years; in 2004, net income jumped to over \$5 million.<sup>10</sup> Because of its  
8 consistent profitability, PBT paid dividends of at least ~~BEGIN~~  
9 ~~CONFIDENTIAL~~ END ~~CONFIDENTIAL~~ annually for the last five  
10 years.<sup>11</sup> The above discussion and analysis reveal that PBT has enjoyed financial  
11 success in recent years.

12 **Q. WHAT IS WORKING CAPITAL AND HOW IS A COMPANY'S WORKING**  
13 **CAPITAL POSITION EVALUATED?**

14 A. Working capital is simply the difference between a company's current assets and its  
15 current liabilities. Current assets are those that could be converted to cash in less  
16 than a year while current liabilities are obligations that must be repaid within one  
17 year. A company with a positive working capital position is one where current assets

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<sup>9</sup> See 2007 Annual Report, Balance Sheet. Cited portions of 2007 Annual Report are attached as Exhibit WRF-3.

<sup>10</sup> See 2003 - 2006 Annual Reports, Operating Revenue and Expenses, (Cited portions of 2003 Annual Report are attached as Exhibit WRF-4. Cited portions of 2004 Annual Report are attached as Exhibit WRF-5. Cited portions of 2005 Annual Report are attached as Exhibit WRF-6. Cited portions of 2006 Annual Report are attached as Exhibit WRF-7).

<sup>11</sup> See 2003 - 2006 Annual Reports, Balance Sheet, (Cited portions of 2003 Annual Report are attached as Exhibit WRF-4. Cited portions of 2004 Annual Report are attached as Exhibit WRF-5. Cited portions of 2005 Annual Report are attached as Exhibit WRF-6. Cited portions of 2006 Annual Report are attached as Exhibit WRF-7).

1 exceed current liabilities. The strength of a company's working capital position is  
2 typically measured as the ratio of current assets to current liabilities. A working  
3 capital ratio that is greater than 1.0 indicates that a company has sufficient resources  
4 to pay its short-term debts.

5 **Q. WHAT WAS PBT'S WORKING CAPITAL POSITION AT THE END OF**  
6 **2007?**

7 A. PBT's 2007 Annual Report shows that it had the following current assets and current  
8 liabilities resulting in a working capital ratio of \*\*\*BEGIN CONFIDENTIAL

9 ~~CONFIDENTIAL~~<sup>12</sup>

10 ~~CONFIDENTIAL~~

11  
12 ~~CONFIDENTIAL~~

13 On the surface, PBT appears to have had ~~CONFIDENTIAL~~

14 ~~CONFIDENTIAL~~ resources to satisfy its short-term obligations at the end

15 of 2007. To see if this was an anomalous occurrence, I reviewed PBT's working

16 capital ratio for the years 2003, 2004 and 2005 and noted that it was ~~CONFIDENTIAL~~

17 ~~CONFIDENTIAL~~ ~~CONFIDENTIAL~~ in 2004 and 2005.

18 PBT's 2006 balance sheet amounts are classified as confidential and were not

19 available at the time this testimony was filed. Apparently, PBT management was not

20 too concerned with its working capital position in each of the years where its ratio

21 was ~~CONFIDENTIAL~~ ~~CONFIDENTIAL~~

<sup>12</sup> See 2007 Annual Report, Balance Sheet, Exhibit WRF-3.

1 because it declared dividends of \$6.9 million in 2004, \$3 million in 2005, and  
2 ~~\*\*\*BEGIN CONFIDENTIAL\*\*\*~~ ~~END CONFIDENTIAL\*\*\*~~ in 2007.

3 **Q. WHAT DOES THE DEBT-TO-EQUITY RATIO MEASURE?**

4 A. It measures the relative proportion of debt and equity used to finance a company's  
5 assets. PBT's 2007 Annual Report shows that it has ~~\*\*\*BEGIN CONFIDENTIAL~~  
6 ~~END CONFIDENTIAL\*\*\*~~ long-term debt and is capitalized ~~\*\*\*BEGIN~~  
7 ~~CONFIDENTIAL\*\*\*~~ ~~END CONFIDENTIAL\*\*\*~~ by stockholder's equity.<sup>13</sup>

8 Therefore, it has ~~\*\*\*BEGIN CONFIDENTIAL\*\*\*~~ ~~END CONFIDENTIAL\*\*\*~~  
9 Debt / Equity ratio at this time.

10 ~~\*\*\*BEGIN CONFIDENTIAL~~

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12 ~~END CONFIDENTIAL\*\*\*~~

13 Since PBT does not have to commit ~~\*\*\*BEGIN CONFIDENTIAL\*\*\*~~ ~~END~~  
14 ~~CONFIDENTIAL\*\*\*~~ of its cash flow to service debt, it can use its cash to invest in  
15 network infrastructure, product development, and other undertakings that will

<sup>13</sup> See 2007 Annual Report, Balance Sheet, Exhibit WRF-3.

1 improve its service offerings and overall quality of service, making it a capable player  
2 as competition develops in the market.  
3

4 **B. PBT's Financial Performance (2003 – 2007)**

5 **Q. HOW WOULD YOU DESCRIBE PBTS' FINANCIAL PERFORMANCE**  
6 **OVER THE LAST FIVE YEARS?**

7 A. Based upon my review of PBT's Annual Reports for the period 2003 – 2007, PBT  
8 has experienced a decline in total access lines, net income, and Net Margin over the  
9 five-year period. The following table illustrates the relatively strong performance  
10 exhibited by PBT over the last five years in spite of declining net income.<sup>14</sup>

11 **\*\*BE IN COMMENT\*\***

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<sup>14</sup> See 2003 Annual Report, Operating Revenue & Expenses, Balance Sheet, Retained Earnings, and Access Lines in Exhibit WRF-4. See 2004 Annual Report, Operating Revenue & Expenses, Balance Sheet, Retained Earnings, and Access Lines in Exhibit WRF-5. See 2005 Annual Report, Operating Revenue & Expenses, Balance Sheet, Retained Earnings, and Access Lines in Exhibit WRF-6. See 2006 Annual Report, Operating Revenue & Expenses, Balance Sheet, Retained Earnings, and Access Lines in Exhibit WRF-7. See 2007 Annual Report, Operating Revenue & Expenses, Balance Sheet, Retained Earnings, and Access Lines in Exhibit WRF-3.

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**END CONFIDENTIAL**

In 2003, its total revenue was \$19.3 million and it had 16,944 total access lines. In 2007, PBT had \$18.8 million in revenue and 15,373 total access lines. Revenue decreased by only 3% despite total access lines declining by 9%. PBT earned \$3.8 million in net income in 2003 and \$2.2 million in 2007 resulting in a decline of 44% between the two time periods. However, PBT earned \$5.2 million in 2004 or almost two times its average net income over the other four years. Retained earnings decreased by **BEGIN CONFIDENTIAL END CONFIDENTIAL** from 2003 to 2007, from **BEGIN CONFIDENTIAL END CONFIDENTIAL** **END CONFIDENTIAL** as management chose to distribute accumulated earnings despite PBT's declining net income. Total dividends over the five-year period are approximately \$23.6 million.

**Q. WHAT IS NET MARGIN AND WHAT IS ITS SIGNIFICANCE?**

A. Net Margin is a measure of profitability used by investors and financial analysts. Net Margin is calculated by dividing a firm's net profit by net sales. This ratio is used to measure a firm's performance over time. It can also be used to compare the firm's performance with other companies in the same industry.

**Q. WHAT WAS PBT'S NET MARGIN OVER THE PERIOD 2003 – 2007?**

1 A. As noted in the table above, PBT's Net Margin ranged from a low of 11.5% in 2007  
 2 to a high of 26.8% in 2004. In comparison AT&T South Carolina's 2007 Net Margin  
 3 was only 8.7%.<sup>15</sup> Compared to the largest telecommunications carrier in South  
 4 Carolina, PBT is a relatively more profitable company.

5 **Q. HOW HAS PBT BENEFITED FROM UNIVERSAL SERVICE FUND**  
 6 **SUPPORT?**

7 A. PBT receives both state and federal universal service fund ("USF") support. The  
 8 trend by year is reflected in the table below:<sup>16</sup>

	FEDERAL USF						TOTAL FEDERAL USF	TOTAL STATE AND FEDERAL USF
	STATE USF	HCL	ICLS	LSS	LTS	SMA		
<b>PBT Telecom</b>								
2003	\$ 708,391	\$ 2,552,978	\$ 401,500	\$ 149,610	\$ 370,380	\$ -	\$ 3,474,468	\$ 4,183,059
2004	\$ 978,165	\$ 2,250,432	\$ 1,446,660	\$ 362,653	\$ 449,490	\$ -	\$ 4,509,235	\$ 5,487,400
2005	\$1,540,828	\$ 2,663,193	\$ 1,982,113	\$ 217,920	\$ -	\$ -	\$ 4,863,226	\$ 6,404,052
2006	\$1,602,123	\$ 2,137,680	\$ 1,971,042	\$ 164,052	\$ -	\$ -	\$ 4,272,774	\$ 5,874,897
2007	\$1,536,904	\$ 2,213,217	\$ 2,318,796	\$ 204,468	\$ -	\$ -	\$ 4,736,481	\$ 6,273,385
<i>Ratio 2007 to 2003</i>	<i>117%</i>	<i>-13%</i>	<i>478%</i>	<i>37%</i>	<i>-100%</i>		<i>36%</i>	<i>60%</i>

9  
 10  
 11 In 2003, it received \$700,000 in state USF support and \$3.5 million in federal USF  
 12 support for a total of \$4.2 million. State USF support has been increasing each year  
 13 to \$1.5 million in 2007 resulting in a 117% increase in 2007 state USF receipts over

<sup>15</sup> See 2007 Telecommunications Company Annual Report of BellSouth Telecommunications, Inc. DBA: AT&T South Carolina, Operating Revenue & Expenses. Net Income of \$89,258,446 divided by Total Operating Revenue of \$1,030,269,190 results in an 8.7% Net Margin. Cited portions of 2007 Annual Report are attached as Exhibit WRF-8.

<sup>16</sup> South Carolina USF disbursements are from PBT's Response to TWCIS 1st Set of Interrogatories, No. 1-11. Federal USF disbursements are from Universal Service Administration Company data available at <http://www.usac.org/hc/tools/disbursements/>.

2003. Federal USF receipts have increased by 36% since 2003 to \$4.7 million. PBT's increasing USF support as a percentage of total revenue over the five-year period is shown in the table below which is a synthesis of the two previous tables:

	OPERATING REVENUE (COMBINED)		
	TOTAL	TOTAL STATE AND FEDERAL USF	% REVENUE FROM USF
<b>PBT Telecom</b>			
<b>2003</b>	\$ 19,341,698	\$ 4,183,059	22%
<b>2004</b>	\$ 19,293,501	\$ 5,487,400	28%
<b>2005</b>	\$ 19,258,960	\$ 6,404,052	33%
<b>2006</b>	\$ 19,598,769	\$ 5,874,897	30%
<b>2007</b>	\$ 18,754,074	\$ 6,273,385	33%
<i>Ratio 2007 to 2003</i>	<u>-3%</u>	<u>50%</u>	

In short, USF support is a significant and growing portion of PBT's revenue stream, and it will continue to provide a safety net to PBT in the face of competition.

**Q. IF PBT LOSES ADDITIONAL LINES AND REVENUE DUE TO MARKET SHARE LOSS TO TWCIS, WILL IT RECEIVE EVEN MORE USF SUPPORT THAN IT DOES TODAY?**

**A.** Yes. When an RLEC such as PBT loses access lines, its cost per loop increases since its relatively static network costs are divided over fewer lines. As an RLEC's cost per loop increases over the national average cost per line, it will receive additional federal USF support. Regarding the state USF, LECs can receive additional support in two different ways. First, it can file for rate reductions to services priced above cost and recover projected lost revenue from the state USF. This allows an RLEC to

1           adjust its prices to meet or beat the competition.<sup>17</sup> Second, if an RLEC loses its  
2           lower cost customers to competition, it can petition the Commission to approve a  
3           new cost study reflecting its change in cost per line.<sup>18</sup>

4           **Q.    GIVEN THE FINANCIAL STRENGTH OF PBT, WILL TWCIS' ENTRY**  
5           **INTO PBT'S MARKET ADVERSLEY IMPACT THE AFFORDABILITY OF**  
6           **LOCAL EXCHANGE SERVICE?**

7           A.    No. To the contrary, TWCIS' entry in PBT's market will increase customer choice  
8           and potentially lead to lower prices.

9           **Q.    DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

10          A.    Yes, it does.

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<sup>17</sup> See Docket No. 97-239-C, Order No. 2001-996, Exhibit A -- Guidelines for South Carolina Universal Service Fund, § 9, page 7.

<sup>18</sup> See S.C. Code § 58-9-280(E).

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**Docket No. 2008-328-C**

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In Re: Application of Time Warner Cable Information  
Services (South Carolina) LLC, d/b/a Time  
Warner Cable to Amend its Certificate of Public  
Convenience and Necessity to Provide  
Telephone Services in the Service Area of  
PBT Telecom, Inc. and for Alternative Regulation

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**DIRECT TESTIMONY OF  
WARREN R. FISCHER, C.P.A.**

**ON BEHALF OF  
TIME WARNER CABLE INFORMATION SERVICES (SOUTH CAROLINA) LLC**

**EXHIBIT WRF-1  
Curriculum Vitae**

## **Warren R. Fischer, C.P.A.**

**Chief Financial Officer  
QSI Consulting, Inc.**

2500 Cherry Creek Drive South  
Suite 319  
Denver, Colorado, 80209-3279  
(303) 722-2684 voice  
(303) 883-9014 mobile  
(303) 733-3016 facsimile  
[WFischer@QSIconsulting.com](mailto:WFischer@QSIconsulting.com)

### **Biography**

Mr. Fischer is a QSI partner and currently serves as Chief Financial Officer in QSI's Telecommunications Division. Mr. Fischer has over 13 years of experience in the telecommunications industry and joined QSI after five years of service within AT&T's Local Service & Access Management and Wireless Services divisions. During his telecommunications career, Mr. Fischer has focused his attention largely on TELRIC pricing, local market entry, Section 271 compliance, access and universal service reform issues, billing disputes, and damages assessment.

Mr. Fischer is an experienced and effective expert witness who has provided expert testimony in over 30 proceedings before 18 state utility commissions and other administrative agencies. Mr. Fischer is an active Certified Public Accountant who is licensed in the States of Colorado and California. Mr. Fischer's professional experience as a C.P.A. includes two years in public practice with Deloitte and Touche LLP and over 20 years of managing financial analysis, reporting and forecasting processes for various multi-national corporations.

### **Educational Background**

**Bachelor of Science, Business Administration (emphasis in Accounting)**  
University of Colorado at Boulder, Boulder, Colorado

1984



## Professional Experience

**QSI Consulting, Inc.**  
2000 - Current  
Chief Financial Officer

**AT&T Corp.**  
1997 - 2000  
Financial Manager  
1996 - 1997  
Supervisor  
Network Services Division

**AT&T Wireless Services**  
1995 - 1996  
Marketing Analyst / Planner  
Cellular Division

**E. & J. Gallo Winery**  
1994 - 1995  
Senior Financial Analyst  
1991 - 1994  
Operations Accountant

**Century 21 Real Estate Corporation**  
1987 - 1991  
Financial Analyst

**Deloitte & Touche LLP**  
1985 - 1987  
Audit-in-Charge

## Expert Testimony – Profile

*The information below is Mr. Fischer's best effort to identify all proceedings wherein he has either provided pre-filed written testimony, an expert report or provided live testimony.*

**Before the Federal Communications Commission**  
File Nos. EB-01-MD-001 and EB-01-MD-002

*In the matter of the formal complaints of AT&T corp. and Sprint Communications Company L.P., vs. Business Telecom, Inc.*

On behalf of Business Telecom, Inc.  
Affidavit

February 23, 2001

**Before the Public Utilities Commission of the State of Colorado**  
Docket No. 99A-161T

*In the matter of the application of U S WEST Communications, Inc., to reduce business basic exchange and long-distance revenues upon receipt of the Colorado high-cost support mechanism in accordance with Decision No. C 99-222*

On behalf of AT&T Communications of the Mountain States, Inc.  
Direct

August 6, 1999

**Before the Public Utilities Commission of the State of Colorado**  
Docket No. 98A-068T

*In the matter of the application of U S WEST Communications, Inc., to restructure and reduce switched access rates pursuant to the stipulation in Docket No. 97A-540T*

On behalf of AT&T Communications of the Mountain States, Inc.  
Amended Direct  
Supplemental

May 17, 1999  
June 9, 1999



**In The United States District Court for The Middle District Of Florida, Jacksonville Division  
Civil Action No. 3:07-CV-598-J-32MCR**

*James D. Hinson Electrical Contracting Co., Inc., Individually and On Behalf Of All Others Similarly  
Situated, Plaintiff, v. BellSouth Telecommunications, Inc., Defendant*

On behalf of Plaintiff

Declaration  
Expert Report

September 18, 2007

August 1, 2008

**Before the Public Service Commission of Florida**

**Docket No. 041464-TP**

*Petition of Sprint-Florida, Inc. for Arbitration of an Interconnection Agreement with Florida Digital  
Network, Inc. Pursuant to Section 252 of the Telecommunications Act of 1996*

On Behalf of Florida Digital Network, Inc. D/B/A FDN Communications

Direct

May 27, 2005

**Before the Public Service Commission of Florida**

**Docket No. 990649B-TP**

*In re: investigation into pricing of unbundled network elements*

On Behalf of AT&T Communications of the Southern States, Inc., MCI metro Access Transmission  
Services, LLC & MCI WorldCom Communications, Inc., and Florida Digital Network, Inc. (collectively  
called the "ALEC Coalition")

Rebuttal

January 30, 2002

**Before the Illinois Commerce Commission**

**Docket No. 02-0864**

*Illinois Bell Telephone Company: Filing to increase unbundled loop and nonrecurring rates (tariffs filed  
December 24, 2002)*

On Behalf of AT&T Communications of Illinois, Inc., WorldCom, Inc. ("MCI"), McLeodUSA  
Telecommunications Services, Inc., Covad Communications Company, TDS Metrocom, LLC, Allegiance  
Telecom of Illinois, Inc., RCN Telecom Services of Illinois, LLC, Globalcom, Inc., Z-Tel  
Communications, Inc., XO Illinois, Inc., Forte Communications, Inc., and CIMCO Communications, Inc.

Direct

May 6, 2003

Rebuttal

January 20, 2004

Surrebuttal

February 20, 2004

Supplemental Surrebuttal

May 5, 2004

**Before the Indiana Utility Regulatory Commission**

**Cause No. 42393**

*In the matter of the commission investigation and generic proceeding of rates and unbundled network  
elements and collocation for Indiana Bell Telephone Company, Incorporated d/b/a SBC Indiana pursuant  
to the Telecommunications Act of 1996 and related Indiana statutes*

On behalf of AT&T Communications of Indiana, G.P. and TCG Indianapolis ("AT&T"), WorldCom, Inc.  
("MCI"), McLeodUSA Telecommunications Services, Inc., Covad Communications Company, and Z-Tel  
Communications, Inc.

Response

August 15, 2003

**Before the Public Service Commission of Maryland**

**Case No. 8879**

*In the matter of the investigation into rates for unbundled network elements pursuant to the  
Telecommunications Act of 1996*

On Behalf of the Staff of the Public Service Commission of Maryland

Rebuttal

September 5, 2001

Supplemental Rebuttal

October 4, 2001

Surrebuttal

October 15, 2001

**Before the Massachusetts Department of Telecommunications and Energy**

*Docket DTE 06-61 Investigation by the Department on its own motion as to the propriety of the rates and charges set forth in the following tariff: M.D.T.E. No. 14, filed with the Department on June 16, 2006, to become effective July 16, 2006, by Verizon New England, Inc. d/b/a Verizon Massachusetts*

On Behalf of Broadview Networks, Inc.; DSCI Corporation; Eureka Telecom, Inc. d/b/a InfoHighway Communications; Metropolitan Telecommunications of Massachusetts, Inc., a/k/a MetTel; New Horizon Communications; and One Communications (collectively "CLEC Coalition")

Rebuttal Panel Testimony

September 12, 2006

**Before the Massachusetts Department of Telecommunications and Energy**

**Docket DTE 01-20**

*Investigation by the department on its own motion into the appropriate pricing, based upon total element long-run incremental costs, for unbundled network elements and combinations of unbundled network elements, and the appropriate avoided cost discount for Verizon New England Inc., d/b/a Verizon*

*Massachusetts' resale services*

On Behalf of the CLEC Coalition

Rebuttal

July 17, 2001

**Before the Michigan Public Service Commission**

**Case No. U-13531**

*In the matter, on the commission's own motion, to review the costs of telecommunications services provided by SBC Michigan*

On behalf of AT&T Communications of Michigan, Inc., and TCG Detroit ("AT&T")

Initial

January 20, 2004

Final Reply

May 10, 2004

**Before the Michigan Public Service Commission**

**Case No. U-11756**

*In the matter of the complaint of Michigan Pay Telephone Association et al. Against Ameritech Michigan and Verizon North Inc., f/k/a GTE North Incorporated*

On behalf of Michigan Pay Telephone Association and the other payphone service provider Complainants

Direct

February 10, 2003

**Before The Office Of Administrative Hearings For The Minnesota Public Utilities Commission**

**MPUC Docket No. P-421/AM-06-713, OAH Docket No. 3-2500-17511-2**

*In the matter of Qwest Corporation's Application for Commission Review of TELRIC Rates Pursuant to 47 U.S.C. § 251*

On behalf of Integra Telecom of Minnesota, Inc.; McLeodUSA Telecommunications Services, Inc.; POPP.com, Inc.; DIECA Communications, Inc., d/b/a Covad Communications Company; TDS Metrocom; and XO Communications of Minnesota, Inc., ("The CLEC Coalition")

Direct

August 24, 2007

**Before the Public Service Commission of the State of Montana**

**Docket No. D97.5.87**

*IN THE MATTER OF the Investigation into U S WEST Communications, Inc.'s Compliance with Section 271(c) of the Telecommunications Act of 1996*

On behalf of AT&T Communications of the Mountain States

Direct

June 1998

Rebuttal

June 1998

Supplemental Rebuttal

November 1998

**Before the Public Service Commission of the State of Montana****Docket No. D96.12.220***IN THE MATTER of the Application of U S WEST Communications, Inc. to Restructure its Prices for Regulated Telecommunications Service.*

On behalf of AT&amp;T Communications of the Mountain States, Inc.

Direct

October 1997

**Before the Nebraska Public Service Commission****Application No. C-1628***In the matter of the Nebraska Public Service Commission, on its own motion, seeking to conduct an investigation into intrastate access charge reform and intrastate universal service fund*

On behalf of AT&amp;T Communications of the Midwest, Inc.

Direct

October 20, 1998

**Before the Nebraska Public Service Commission****Application No. C-1830***In the Matter of US West Communications, Inc., filing its notice of intention to file Section 271(c) application with the FCC and request for Commission to verify US West compliance with Section 271(c)*

On behalf of AT&amp;T Communications of the Midwest, Inc.

Direct and rebuttal

August 1998

**Before the Nebraska Public Service Commission****Docket No. C-1519***In the matter of the emergency petition of MCI Telecommunications Corporation and AT&T Communications of the Midwest, Inc. to investigate compliance of Nebraska LECs with FCC payphone orders*

On behalf of AT&amp;T Communications of the Midwest, Inc.

Direct

January 20, 1998

**Before the New Mexico State Corporation Commission****Docket No. 96-310-TC and Docket No. 97-334-TC***In the matter of the consideration of the adoption of a rule concerning costing methodologies and In the matter of the implementation of new rules related to the rural, high-cost, and low-income components of the New Mexico universal service fund*

On behalf of AT&amp;T Communications of the Mountain States, Inc.

Direct

July 8, 1998

Rebuttal

August 5, 1998

**Before the New Mexico State Corporation Commission****Docket No. 97-106-TC***In The Matter Of Qwest Corporation's Section 271 Application And Motion For Alternative Procedure To Manage The Section 271 Process*

On behalf of AT&amp;T Communications of the Mountain States, Inc.

Direct

July 1998

Rebuttal

July 1998

Reply

September 1998

**Before the New Mexico State Corporation Commission****Docket No. 97-69-TC**

On behalf of AT&amp;T Communications of the Mountain States, Inc.

Direct

March 20, 1997

**Before the North Carolina Utilities Commission****Docket No. P-100, Sub 133d, Phase I***In the matter of general proceeding to determine permanent pricing for unbundled network elements*

On Behalf of New Entrants

Direct

August 11, 2000

**Before the Public Service Commission of the State of North Dakota****Case No. PU-05-451***Midcontinent Communications, a South Dakota Partnership, Complainant vs. North Dakota Telephone Company, Respondent*

On behalf of Midcontinent Communications

Direct

December 21, 2005

Rebuttal

January 16, 2006

**Before the Public Service Commission of the State of North Dakota****Docket No. PU-314-97-465***In the matter of U S WEST Communications, Inc., universal service costs investigation*

On behalf of AT&amp;T Communications of the Midwest, Inc.

Rebuttal

February 27, 1998

**Before the Public Utilities Commission of Ohio****Case No. 02-1280-TP-UNC, Phase II***In the matter of the Review of SBC Ohio's TELRIC Costs for Unbundled Network Elements*

On behalf of MCIMetro Access Transmission Services, LLC, McLeodUSA Telecommunications Services, Inc., Covad Communications Company, NuVox Communications of Ohio, Inc., and XO Ohio, Inc.

Direct

August 8, 2005

**Before the State of South Dakota Public Utilities Commission****Docket No. TC07-117***In The Matter of the Petition Of Midcontinent Communications For Approval Of Its Intrastate Switched Access Tariff And For An Exemption From Developing Company-Specific Cost-Based Switched Access Rates*

On behalf of Midcontinent Communications

Direct

July 15, 2008

**Before the State Office of Administrative Hearings (Texas)****SOAH Docket No. 473-07-1365, PUC Docket No. 33545***Application of McLeodUSA Telecommunications Services, Inc. For Approval of Intrastate Switched Access Rates Pursuant To PURA Section 52.155 And PUC Subst. R. 26.223*

On behalf of McLeodUSA Telecommunications Services, Inc.

Rebuttal

May 24, 2007

**Before the Public Service Commission of Wisconsin****Docket No. 6720-TI-187***Petition of SBC Wisconsin to determine rates and costs for unbundled network elements*

On behalf of AT&amp;T Communications of Wisconsin, L.P. and TCG Milwaukee ("AT&amp;T"), and MCI, Inc.

Rebuttal

June 15, 2004

**Before the Wyoming Public Service Commission****Docket No. 70000-TA-98-442***In the matter of the second application of U S WEST Communications, Inc., for a finding that its interexchange telecommunications services are subject to competition*

On behalf of AT&amp;T Communications of the Mountain States, Inc.

Direct

January 6, 1999

**Before the Wyoming Public Service Commission**

**Docket No. 70000-TR-98-420**

*In the matter of the application of U S WEST Communications, Inc., for authority to implement price ceiling in conjunction with its proposed Wyoming price regulation plan for essential and noncompetitive telecommunication services*

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

September 9, 1998

**Before the Wyoming Public Service Commission**

**General Order No. 81**

*In the matter of the investigation by the Commission of the feasibility of developing its own costing model for use in determining federal universal service fund support obligations in Wyoming*

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

November 1997

Amended Direct

January 23, 1998

Rebuttal

February 6, 1998

**Before the Wyoming Public Service Commission**

**Docket No. 72000-TI-97-107 and Docket No. 70000 TI-97-352**

*In the matter of the petition of AT&T for the Commission to initiate investigation of U S WEST Communications, Inc.'s compliance with Section 271 of the Telecommunications Act of 1996*

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

1998

**Before the Wyoming Public Service Commission**

**Docket No. 72000-TC-97-99**

On behalf of AT&T Communications of the Mountain States, Inc.

Direct

May 15, 1997

**Before the Wyoming Public Service Commission**

**Docket No. 70007-TR-95-15**

On behalf of AT&T Communications of the Mountain States, Inc.

Adopted Pre-filed Direct

October 1996

**Selected Reports, Presentations and Publications**

QSI Final Report to the Hawaii Public Utilities Commission "Analysis and Recommendations Related to Docket No. 04-0140 *Merger Application Of Paradise Mergersub, Inc. (n/k/a Hawaiian telecom Mergersub, Inc.), Verizon Hawaii, Inc. and Related Companies*" February 7, 2005

QSI Technical Report No. 012605A "IP-Enabled Voice Services: Impact of Applying Switched Access Charges to IP-PSTN Voice Services"

*Ex Parte filing in FCC dockets WC Dockets No. 04-36 (In the Matter of IP-Enabled Services), 03-266 (In the Matter of Level 3 Communications LLC Petition for Forbearance Under 47 U.S.C. § 160(c) from Enforcement of 47 U.S.C. § 251(g), Rule 51.701(b)(1), and Rule 69.5(b); IP Enabled Services)*  
Washington DC, January 27, 2005

QSI Report to the Wyoming Legislature "The Wyoming Universal Service Fund. *An Evaluation of the Basis and Qualifications for Funding*" December 3, 2004

QSI Management Audit Reports to the Wyoming Public Service Commission on the Wyoming Universal Service Fund:

1. For the period October 28, 1999 through December 31, 2001 (issued May 15, 2002)
2. For the period January 1, 2002 through December 31, 2004 (issued January 31, 2006)

**BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA**

**Docket No. 2008-328-C**

---

In Re: Application of Time Warner Cable Information )  
Services (South Carolina) LLC, d/b/a Time )  
Warner Cable to Amend its Certificate of Public )  
Convenience and Necessity to Provide )  
Telephone Services in the Service Area of )  
PBT Telecom, Inc. and for Alternative Regulation )

---

**DIRECT TESTIMONY OF  
WARREN R. FISCHER, C.P.A.**

**ON BEHALF OF  
TIME WARNER CABLE INFORMATION SERVICES (SOUTH CAROLINA) LLC**

**EXHIBIT WRF-2  
PBT Telecom, Inc. Alternative Regulation Plan**

MCNAIR LAW FIRM, P.A.  
ATTORNEYS AND COUNSELORS AT LAW

177519

www.mcnairlaw.com

BANK OF AMERICA TOWER  
1301 GERVAIS STREET, 17TH FLOOR  
COLUMBIA, SOUTH CAROLINA 29201

POST OFFICE BOX 11380  
COLUMBIA, SOUTH CAROLINA 29211  
TELEPHONE (803)799-9800  
FACSIMILE (803)376-2277

January 19, 2006

2006-34C

Mr. Charles L. A. Terreni  
Chief Clerk/Administrator  
South Carolina Public Service Commission  
Synergy Business Park, The Saluda Building  
101 Executive Center Drive  
Columbia, South Carolina 29210

Re: PBT Telecom, Inc. Alternative Regulation Plan Pursuant to S.C. Code Ann. § 58-9-576

Dear Mr. Terreni:

Enclosed for filing on behalf of PBT Telecom, Inc. ("PBT"), please find an original and ten (10) copies of an Alternative Regulation Plan.

On January 18, 2006, the Commission approved a local interconnection agreement between PBT and MCImetro Access Transmission Services, LLC ("MCI"). Pursuant to S.C. Code Ann. § 58-9-576(A), any LEC may elect the alternative regulation plan described in S.C. Code Ann. § 58-9-576(B) if the Commission has approved a local interconnection agreement in which the LEC is a participant with an entity determined by the Commission not to be affiliated with the LEC. As the Commission is aware, MCI and PBT are not affiliated.

Therefore, having met the statutory requirement for election of alternative regulation, PBT hereby elects to have its rates, terms and conditions determined pursuant to the plan described in S.C. Code Ann. § 58-9-576(B), as set forth in the attached Alternative Regulation Plan, effective February 18, 2006.

Please clock in a copy of this filing and return it with our courier.

Thank you for your assistance.

Very truly yours,

*Margaret M. Fox*  
Margaret M. Fox

Enclosures

cc: C. Dukes Scott, Esquire  
L. B. Spearman

**PBT TELECOM, INC.  
ALTERNATIVE REGULATION PLAN  
PURSUANT TO S.C. CODE ANN. § 58-9-576**

Filed January 19, 2006  
Effective February 18, 2006

**1. Introduction**

Pursuant to S.C. Code Ann. § 58-9-576(A), any local exchange carrier ("LEC") may elect to have the rates, terms, and conditions of its services determined pursuant to the alternative regulation plan described in S.C. Code Ann. § 58-9-576(B), provided the Public Service Commission of South Carolina ("Commission") has approved a local interconnection agreement in which the LEC is a participant with an entity determined by the Commission not to be affiliated with the LEC. The Commission has approved such an agreement for PBT Telecom, Inc. ("PBT"), and PBT hereby elects to have the rates, terms, and conditions of its services determined pursuant to the alternative regulation plan described herein (the "Plan"), which conforms with the plan described in S.C. Code Ann. § 58-9-576(B).

In its regular agenda session on January 18, 2006, the Commission approved an interconnection agreement between PBT and MCImetro Access Transmission Services, LLC ("MCI"). MCI is not affiliated with PBT.

The Plan described herein is in lieu of other forms of regulation including, but not limited to, rate of return or rate base monitoring or regulation.

**2. Effective Date**

The effective date of the Plan is February 18, 2006, which is not sooner than thirty days after filing with the Commission notice of election of the Plan. The Plan will apply to all local services offered by PBT that are regulated by the Commission.

**3. The Plan**

- a. As of January 19, 2006, the date of notice of election of the Plan, existing rates, terms, and conditions for the services provided by PBT contained in PBT's then-existing tariffs and contracts are considered just and reasonable.
- b. PBT is a "small LEC" for purposes of S.C. Code Ann. § 58-9-576(B)(3). S.C. Code Ann. § 58-9-10(14) defines "small LEC" to mean a "rural telephone company" as defined in the federal Telecommunications Act of 1996.
- c. Although PBT is a "small LEC" for purposes of S.C. Code Ann. § 58-9-576(B)(3), PBT's flat-rated local exchange services for residential and single-line business customers are currently priced at the statewide average local service rates for those services, weighted

by number of access lines, as shown in PBT's local service tariff on file with the Commission. Therefore, the requirements of S.C. Code Ann. § 58-9-576(B)(3) and (4) are not waived for PBT, and PBT's residential and single-line business rates shall be frozen for a period of two years from the date of election of this Alternative Regulation Plan and, after the expiration of the two-year period, may be adjusted on an annual basis pursuant to an inflation-based index.

- d. PBT will set rates for all other services on a basis that does not unreasonably discriminate between similarly situated customers. All such rates are subject to a complaint process for abuse of market position in accordance with Commission rules and procedures.
- e. Except when exempted by law, PBT will file tariffs for price changes or new services with respect to its local exchange services (including residential and single-line business services) that set out the terms and conditions of the services and the rates for such services. Tariffs will be presumed valid and become effective seven days after filing for price decreases and fourteen days after filing for price increases and new services.
- f. As provided for in S.C. Code Ann. § 58-9-576(B), the Plan applies in lieu of rate of return or rate base regulation. Thus, the procedures set forth above for changes in rates are to be used in lieu of traditional rate-of-return procedures for determining rates, terms, and conditions for service, as found in S.C. Code Ann. §§ 58-9-510 through -570 and in 26 Code Ann. Regs. 103-834(A)(3).

**BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA**

**Docket No. 2008-328-C**

---

In Re: Application of Time Warner Cable Information Services (South Carolina) LLC, d/b/a Time Warner Cable to Amend its Certificate of Public Convenience and Necessity to Provide Telephone Services in the Service Area of PBT Telecom, Inc. and for Alternative Regulation

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Fisher Testimony Exhibit WRF-3

**PBT TELECOM, INC.'S  
2007 TELECOMMUNICATIONS COMPANY ANNUAL REPORT  
INCLUDING CONFIDENTIAL SCHEDULES**

**CONFIDENTIAL & PROPRIETARY**

**FILED UNDER SEAL**

---

**BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA**

**Docket No. 2008-328-C**

---

In Re: Application of Time Warner Cable Information )  
Services (South Carolina) LLC, d/b/a Time )  
Warner Cable to Amend its Certificate of Public )  
Convenience and Necessity to Provide )  
Telephone Services in the Service Area of )  
PBT Telecom, Inc. and for Alternative Regulation )

---

**DIRECT TESTIMONY OF  
WARREN R. FISCHER, C.P.A.**

**ON BEHALF OF  
TIME WARNER CABLE INFORMATION SERVICES (SOUTH CAROLINA) LLC**

**EXHIBIT WRF-4**

**Cited Portions of PBT's 2003 Telecommunications Company Annual Report**

pssc 2/2001

## **ANNUAL REPORT**

**Name: PBT Telecom, Inc.**

**Address: 1660 Juniper Springs Road, Gilbert, SC 29054**

**Telephone Number: 803-894-3121**

## **TELEPHONE UTILITY**

**TO**

**PUBLIC SERVICE COMMISSION OF SC**

**FOR THE CALENDAR YEAR ENDING DECEMBER 31, 2003**

**Due on April 1st**

**For Fiscal Year Ending other than December 31, Report is due within 3 months after**

**Fiscal Year Ending..**

**May use additional blank pages if needed**

**All entries should be in ink or typewriter**

**Schedule #2-Operating Revenue & Expenses**

**Year Ending December 31, 2003**

<b>Operating Revenues:</b>		<b>Combined</b>	<b>Intrastate Gross Receipts</b>
<b>Local Network Services Revenue</b>	<b>5001-5069</b>	<b>7,004,114.15</b>	<b>7,004,114.15</b>
<b>Network Access Service Revenues</b>	<b>5080</b>	<b>11,846,247.24</b>	<b>4,572,638.40</b>
<b>Long Distance Revenues</b>	<b>5100-5169</b>		
<b>Miscellaneous Revenues</b>	<b>5230-5270</b>	<b>512,260.15</b>	<b>474,252.55</b>
<b>Uncollectible Revenues</b>	<b>5301-5302</b>	<b>(20,923.30)</b>	<b>(20,923.30)</b>
<b>Total Revenues</b>		<b>19,341,698.24</b>	<b>12,030,081.80</b>
<b>Operating Expenses:</b>			
<b>Plant Specific Expenses</b>	<b>6112-6410</b>	<b>4,129,912.64</b>	
<b>Plant Nonspecific Expenses</b>	<b>6560</b>	<b>5,305,736.81</b>	
<b>Customer Operations Expenses</b>	<b>6620</b>	<b>1,648,713.72</b>	
<b>Corporate Operations Expenses</b>	<b>6711-6790</b>	<b>2,073,522.43</b>	
<b>Operating Taxes other than Income</b>	<b>7240</b>	<b>490,544.78</b>	
<b>Operating Investment Tax Credits-Net</b>	<b>7210</b>	<b>(108,056.00)</b>	
<b>Operating Taxes-Income-Current-Federal</b>	<b>7220</b>	<b>2,279,927.50</b>	
<b>Operating Taxes-Income-Current-State</b>	<b>7230</b>	<b>369,657.46</b>	
<b>Operating Taxes-Deferred Income-Net</b>	<b>7250</b>	<b>(476,252.00)</b>	
<b>Total Operations Expenses</b>		<b>15,713,707.34</b>	
<b>Net Income from Operations</b>		<b>3,627,990.90</b>	
<b>Interest Income</b>	<b>7320</b>	<b>174,365.71</b>	
<b>Nonoperating Income and Expenses</b>	<b>7310-7450</b>	<b>198,988.75</b>	
<b>Fixed Charges-(Other Than Interest on Debt)</b>			
<b>Interest Expense on Funded Debt</b>	<b>7510</b>	<b>167,453.69</b>	
<b>Non-regulated Net Income</b>	<b>7610-7991</b>		
<b>Net Income</b>		<b>3,833,891.67</b>	

Schedule #3-Balance Sheet  
 Company: PBT Telecom, Inc.  
 Date of Balance Sheet: December 31, 2003

Assets:

<u>Balance at Beginning of Year</u>	<u>Description</u>	<u>Balance at Close of Year</u>
	<b>Telecommunications Plant</b>	
53,304,534.98	Telephone Plant in Service	58,277,972.63
	Property Held for Future Use	
2,819,175.17	Telecommunications Plant under Construction	1,020,553.82
497,467.44	Telecommunications Plant Adjustment	447,720.44
	Non-Operating Plant	
760,731.36	Goodwill	835,678.36
57,381,908.95	Total Plant	60,581,925.25
37,996,483.35	Depreciation Reserve-Plant	41,875,113.55
	Depreciation Reserve-Other	
37,996,483.35	Total Depreciation Reserve	41,875,113.55
19,385,425.80	Net Telecommunications Plant	18,706,811.70
	<b>Non-Current Assets</b>	
	Investments in Affiliated Companies	
2,364,468.41	Investment in Non-Affiliated Companies	3,952,425.22
	Non-Regulated Investments	
18,695.73	Other Non-Current Assets	13,874.05
2,383,164.14	Total Non-Current Assets	3,966,299.27
	<b>Current Assets</b>	
4,289,559.83	Cash	3,510,442.61
	Temporary Investments	
861,342.10	Telecommunications Accounts Receivables	802,842.09
(2,603.54)	Allowance for Bad Debts	

**Schedule #3-Balance Sheet-Continued**

**Assets-Continued:**

<u>Balance at Beginning of Year</u>	<u>Description</u>	<u>Balance at Close of Year</u>
	<b>Current Assets-Continued</b>	
1,277,914.76	Interest, Dividends & Other Accounts Receivable	825,836.12
693,312.23	Notes Receivable-Net	
526,807.23	Materials & Supplies Inventory	654,783.26
1,140,961.48	Other Current Assets	1,279,714.48
8,787,293.89	<b>Total Current Assets</b>	<b>7,073,618.56</b>
	<b>Prepaid Accounts &amp; Deferred Charges</b>	
232,381.05	Prepays	232,901.32
	Deferred Charges	
232,381.05	<b>Total Prepaid Accounts &amp; Deferred Charges</b>	<b>232,901.32</b>
30,788,264.68	<b>Total Assets</b>	<b>29,979,630.85</b>
	<b>Stockholders Equity</b>	
3,600,000.00	Capital Stock	3,600,000.00
399,000.00	Additional Paid in Capital	399,000.00
	Treasury Stock	
	Other Capital	
16,507,612.11	Retained Earnings	17,856,987.54
20,506,612.11	<b>Total Stockholders Equity</b>	<b>21,855,987.54</b>
	<b>Long Term Debt</b>	
2,744,662.61	Funded Debt	1,865,410.46
	Reacquired Debt	
	Obligations Under Capital Leases	
	Advances from Affiliated Companies	
	Other Long Term Debt	

**Schedule #3-Balance Sheet-Continued**

**Equity and Liabilities-Continued:**

<u>Balance at Beginning of Year</u>	<u>Description</u>	<u>Balance at Close of Year</u>
2,744,662.61	Total Long Term Debt	1,865,410.46
	<b>Current and Accrued Liabilities</b>	
2,327,972.04	Accounts Payable	506,992.40
	Notes Payable	
342,833.31	Advance Billings and Payments	220,594.35
286,850.45	Customer Deposits	286,033.16
641,569.00	Current Maturities-Long Term Debt	679,253.00
	Current Maturities-Capital Leases	
35,830.75	Income Taxes Accrued	35,830.75
463,273.62	Other Accrued Taxes	434,815.92
4,118,447.63	Other Accrued Liabilities	4,584,596.51
	Other Current Liabilities	
8,216,576.80	Total Current and Accrued Liabilities	6,760,116.09
	<b>Other Liabilities and Deferred Credits</b>	
	Other Long Term Liabilities	
	Premium on Long Term Debt	
787,154.46	Unamortized Operating Investment Tax Credits-Net	935,519.46
	Unamortized Nonoperating Investment Tax Credits-Net	
323,470.07	Other Deferred Credits	877,425.67
	Net Current Deferred Operating Income Taxes	
	Net Current Deferred Nonoperating Income Taxes	
(1,790,211.37)	Net Noncurrent Deferred Operating Income Taxes	(2,414,828.37)
	Net Noncurrent Deferred Nonoperating Income Taxes	
	Other Jurisdictional Liabilities and Deferred Credits	

**Schedule #3-Balance Sheet-Continued**

**Equity and Liabilities-Continued:**

<b>Balance at Beginning of Year</b>	<b>Description</b>	<b>Balance at Close of Year</b>
<b>(679,586.84)</b>	<b>Total Other Liabilities and Deferred Credits</b>	<b>(501,883.24)</b>
<b>10,281,652.57</b>	<b>Total Liabilities and Other Credits</b>	<b>8,123,843.31</b>
<b>30,788,264.68</b>	<b>Total Stockholders Equity and Liabilities</b>	<b>29,979,630.85</b>

**Schedule #4-Retained Earnings**

<b>Description</b>	<b>Debits</b>	<b>Credits</b>
<b>Retained Earnings Account</b>		
<b>Retained Earnings-Beginning of Year</b>		<b>16,507,612.11</b>
<b>Miscellaneous Debits to Retained Earnings</b>	<b>237,452.60</b>	
<b>Miscellaneous Credits to Retained Earnings</b>		<b>2,874,654.96</b>
<b>Net Income or Loss From Operations</b>		<b>3,833,891.67</b>
<b>Retained Earnings-End of Year</b>		
<b>Appropriated Retained Earnings:</b>		
<b>Dividends Declared</b>	<b>6,793,036.60</b>	
<b>Other; Unrealized Gains on Marketable Sec</b>		<b>1,671,318.00</b>
<b>Unappropriated Retained Earnings:</b>		
<b>Jurisdictional Retained Earnings</b>		
<b>Other</b>		
<b>Retained Earnings-Total End of Year</b>		<b>17,856,987.54</b>



**BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA**

**Docket No. 2008-328-C**

---

In Re: Application of Time Warner Cable Information )  
Services (South Carolina) LLC, d/b/a Time )  
Warner Cable to Amend its Certificate of Public )  
Convenience and Necessity to Provide )  
Telephone Services in the Service Area of )  
PBT Telecom, Inc. and for Alternative Regulation )

---

**DIRECT TESTIMONY OF  
WARREN R. FISCHER, C.P.A.**

**ON BEHALF OF  
TIME WARNER CABLE INFORMATION SERVICES (SOUTH CAROLINA) LLC**

**EXHIBIT WRF-5  
Cited Portions of PBT's 2004 Telecommunications Company Annual Report**

**RECEIVED**

MAY 16 2005

ORS  
T,T,W,W/W

**PUBLIC SERVICE COMMISSION  
AND OFFICE OF REGULATORY STAFF**

**ANNUAL REPORT**

(Complete and Return with Annual Report)

For Calendar Year Ending 12/31/2004

For Fiscal Year Ending \_\_\_\_\_

**IDENTIFICATION (legal title)**

PSC/ORS No. _____ (leave blank)	Federal ID No. _____
Check/Date: <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Partnership <input checked="" type="checkbox"/> Corporation	<u>1903</u>
Name of Company: <u>PBT Telecom, Inc.</u>	
Doing Business As: <u>PBT Telecom, Inc.</u>	
Street Address: <u>1660 Juniper Springs Road</u>	
City <u>Gilbert</u> State <u>SC</u> Zip Code <u>29054</u>	
Telephone No. (Include Area code) ( <u>803</u> ) <u>894-3121</u>	

**TYPE BUSINESS (CHECK ALL THAT APPLY)**

<input type="checkbox"/> CLEC	<input type="checkbox"/> ELECTRIC	<input type="checkbox"/> WATER	<input type="checkbox"/> TAXI
<input checked="" type="checkbox"/> ILEC	<input type="checkbox"/> GAS	<input type="checkbox"/> WATER/SEWER	<input type="checkbox"/> LIMOUSINE
<input type="checkbox"/> IXC	<input type="checkbox"/> RAILROAD	<input type="checkbox"/> SEWERAGE	<input type="checkbox"/> SHUTTLE
<input type="checkbox"/> HOUSEHOLD GOODS	<input type="checkbox"/> HAZARDOUS WASTE		

**CONTACT (for purpose of this report)**

Contact Name: <u>D. Glenn Martin</u>	
Title: <u>Sr. Vice President</u>	Telephone: ( <u>803</u> ) <u>894-1101</u>
Email Address: <u>gmartin@pbttel.net</u>	Fax No. <u>803-894-6055</u>

**Schedule #2-Operating Revenue & Expenses**

**Year Ending December 31, 2004**

<b>Operating Revenues:</b>		<b>Combined</b>	<b>Intrastate Gross Receipts</b>
Local Network Services Revenue	5001-5069	6,722,728.46	6,722,728.46
Network Access Service Revenues	5080	11,183,851.24	4,125,230.97
Long Distance Revenues	5100-5169		
Miscellaneous Revenues	5230-5270	429,831.80	396,088.60
Uncollectible Revenues	5301-5302	(42,910.21)	(42,910.21)
<b>Total Revenues</b>		<b>16,293,501.29</b>	<b>11,201,137.82</b>
<b>Operating Expenses:</b>			
Plant Specific Expenses	6112-6410	4,382,260.87	
Plant Nonspecific Expenses	6560	5,746,054.32	
Customer Operations Expenses	6620	1,580,741.34	
Corporate Operations Expenses	6711-6790	1,720,298.53	
Operating Taxes other than Income	7240	539,832.30	
Operating Investment Tax Credits-Net	7210		
Operating Taxes-Income-Current-Federal	7220	1,735,776.00	
Operating Taxes-Income-Current-State	7230	175,000.00	
Operating Taxes-Deferred Income-Net	7250		
<b>Total Operations Expenses</b>		<b>15,879,963.36</b>	
<b>Net Income from Operations</b>		<b>2,413,537.93</b>	
Interest Income	7320	56,847.27	
Nonoperating Income and Expenses	7310-7450	2,873,540.62	
Fixed Charges-(Other Than Interest on Debt)			
Interest Expense on Funded Debt	7510	178,685.85	
Non-regulated Net Income	7610-7991		
<b>Net Income</b>		<b>5,165,239.97</b>	

Schedule #3-Balance Sheet  
 Company: PBT Telecom, Inc.  
 Date of Balance Sheet: December 31, 2004

**Assets:**

Balance at Beginning of Year	Description	Balance at Close of Year
	<b>Telecommunications Plant</b>	
58,277,972.63	Telephone Plant in Service	62,749,638.33
	Property Held for Future Use	
1,020,553.82	Telecommunications Plant under Construction	189,631.32
447,720.44	Telecommunications Plant Adjustment	397,973.47
	Non-Operating Plant	
835,678.36	Goodwill	835,678.36
60,581,925.25	<b>Total Plant</b>	<b>64,172,921.48</b>
41,875,113.55	Depreciation Reserve-Plant	45,606,559.83
	Depreciation Reserve-Other	
41,875,113.55	<b>Total Depreciation Reserve</b>	<b>45,606,559.83</b>
18,706,811.70	<b>Net Telecommunications Plant</b>	<b>18,566,361.65</b>
	<b>Non-Current Assets</b>	
	Investments in Affiliated Companies	
3,952,425.22	Investment in Non-Affiliated Companies	189,469.00
	Non-Regulated Investments	
13,874.06	Other Non-Current Assets	
3,966,299.27	<b>Total Non-Current Assets</b>	<b>189,469.00</b>
	<b>Current Assets</b>	
3,510,442.61	Cash	755,262.33
	Temporary Investments	
802,842.09	Telecommunications Accounts Receivables	376,673.25
	Allowance for Bad Debts	

**Schedule #3-Balance Sheet-Continued**

**Assets-Continued:**

<b>Balance at Beginning of Year</b>	<b>Description</b>	<b>Balance at Close of Year</b>
	<b>Current Assets-Continued</b>	
825,836.12	Interest, Dividends & Other Accounts Receivable	1,281,109.51
	Notes Receivable-Net	
654,783.26	Materials & Supplies Inventory	717,498.81
1,279,714.48	Other Current Assets	8,000.00
7,073,618.56	<b>Total Current Assets</b>	<b>3,138,643.90</b>
	<b>Prepaid Accounts &amp; Deferred Charges</b>	
232,901.32	Prepays	273,827.28
	Deferred Charges	
232,901.32	<b>Total Prepaid Accounts &amp; Deferred Charges</b>	<b>273,827.28</b>
29,979,630.85	<b>Total Assets</b>	<b>22,168,201.91</b>
	<b>Stockholders Equity</b>	
3,600,000.00	Capital Stock	3,600,000.00
399,000.00	Additional Paid in Capital	999,000.00
	Treasury Stock	
	Other Capital	
17,856,987.54	Retained Earnings	13,193,462.36
21,855,987.54	<b>Total Stockholders Equity</b>	<b>17,792,462.36</b>
	<b>Long Term Debt</b>	
1,865,410.46	Funded Debt	
	Reacquired Debt	
	Obligations Under Capital Leases	
	Advances from Affiliated Companies	
	Other Long Term Debt	

Schedule #3-Balance Sheet-Continued

Equity and Liabilities-Continued:

Balance at Beginning of Year	Description	Balance at Close of Year
1,865,410.46	Total Long Term Debt	
	<b>Current and Accrued Liabilities</b>	
506,992.40	Accounts Payable	622,717.13
	Notes Payable - Affiliated	1,500,000.00
220,594.35	Advance Billings and Payments	218,706.48
298,033.18	Customer Deposits	280,350.00
679,253.00	Current Maturities-Long Term Debt	
	Current Maturities-Capital Leases	
35,830.75	Income Taxes Accrued	(113,000.00)
434,815.92	Other Accrued Taxes	483,058.35
4,584,596.51	Other Accrued Liabilities	1,047,294.14
	Other Current Liabilities	
6,760,116.09	Total Current and Accrued Liabilities	4,039,126.10
	<b>Other Liabilities and Deferred Credits</b>	
	Other Long Term Liabilities	
	Premium on Long Term Debt	
935,519.48	Unamortized Operating Investment Tax Credits-Net	
	Unamortized Nonoperating Investment Tax Credits-Net	
977,425.67	Other Deferred Credits	360,813.35
	Net Current Deferred Operating Income Taxes	
	Net Current Deferred Nonoperating Income Taxes	
(2,414,828.37)	Net Noncurrent Deferred Operating Income Taxes	(24,000.00)
	Net Noncurrent Deferred Nonoperating Income Taxes	
	Other Jurisdictional Liabilities and Deferred Credits	

Schedule #3-Balance Sheet-Continued

Equity and Liabilities-Continued:

<u>Balance at Beginning of Year</u>	<u>Description</u>	<u>Balance at Close of Year</u>
(501,883.24)	Total Other Liabilities and Deferred Credits	336,813.35
8,123,643.31	Total Liabilities and Other Credits	4,375,739.45
29,979,630.85	Total Stockholders Equity and Liabilities	22,168,201.81

**Schedule #4-Retained Earnings**

<b>Description</b>	<b>Debits</b>	<b>Credits</b>
<b>Retained Earnings Account</b>		
<b>Retained Earnings-Beginning of Year</b>		<b>17,856,987.54</b>
<b>Miscellaneous Debits to Retained Earnings</b>		
<b>Miscellaneous Credits to Retained Earnings</b>		
<b>Net Income or Loss</b>		<b>5,165,239.97</b>
<b>Retained Earnings-End of Year</b>		
<b>Appropriated Retained Earnings:</b>		
<b>Dividends Declared</b>	<b>6,902,326.37</b>	
<b>Other, Realized Gains on Marketable Sec</b>	<b>2,926,438.78</b>	
<b>Unappropriated Retained Earnings:</b>		
<b>Jurisdictional Retained Earnings</b>		
<b>Other</b>		
<b>Retained Earnings-Total End of Year</b>		<b>13,193,462.36</b>



**BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA**

**Docket No. 2008-328-C**

---

In Re: Application of Time Warner Cable Information )  
Services (South Carolina) LLC, d/b/a Time )  
Warner Cable to Amend its Certificate of Public )  
Convenience and Necessity to Provide )  
Telephone Services in the Service Area of )  
PBT Telecom, Inc. and for Alternative Regulation )

---

**DIRECT TESTIMONY OF**

**WARREN R. FISCHER, C.P.A.**

**ON BEHALF OF**

**TIME WARNER CABLE INFORMATION SERVICES (SOUTH CAROLINA) LLC**

**EXHIBIT WRF-6**

**Cited Portions of PBT's 2005 Telecommunications Company Annual Report**

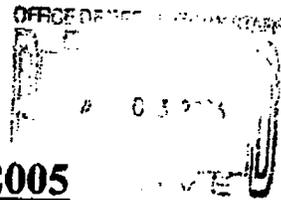
# TELECOMMUNICATIONS COMPANY ANNUAL REPORT

OF

## PBT Telecom, Inc.

Exact Legal Name of Respondent

\_\_\_\_\_  
PSC/ORS Number (leave blank)



### FOR THE YEAR ENDED 2005

Calendar Year Ending December 31, 2005

or

Fiscal Year Ending \_\_\_\_\_



**LOCAL EXCHANGE CARRIER ANNUAL REPORT**  
**Schedule #1-Operating Revenue & Expenses**

Year Ending December 31, 2005

<b>Operating Revenues:</b>	<b>Uniform System of Accounts</b>	<b>Of Accounts</b>	<b>Combined</b>	<b>Intrastate</b>
Local Network Service Revenues	5001-5089		6,461,736.25	6,461,736.25
Network Access Service Revenues	5089		12,513,604.41	5,516,552.81
Long Distance Revenues	5100-5169			
Miscellaneous Revenues	5230-5270		330,888.27	298,087.94
Uncollectible Revenues	5301-5302		(47,267.95)	(47,267.95)
<b>Total Revenues:</b>			<b>19,258,960.98</b>	<b>12,229,108.85</b>
<b>Operating Expenses:</b>				
Plant Specific Expenses	6112-6410		4,724,007.16	
Plant Nonspecific Expenses	6560		6,041,784.58	
Customer Operations Expenses	6620		1,982,686.95	
Corporate Operations Expenses	6711-6790		2,249,209.94	
Operating Taxes other than Income	7240		482,037.68	
Operating Investment Tax Credits-Net	7210			
Operating Taxes-Income-Current-Federal	7220		1,299,000.00	
Operating Taxes-Income-Current-State	7230		196,000.00	
Operating Taxes-Deferred Income-Net	7250			
<b>Total Operations Expenses</b>			<b>16,974,726.31</b>	
<b>Net Income from Operations</b>			<b>2,284,234.67</b>	
Interest Income	7320		76,044.83	
Nonoperating Income and Expenses	7310-7450		(1,074.53)	
Fixed Charges-(Other Than Interest on Debt)				
Interest Expense on Funded Debt	7510			
Non-regulated Net Income	7610-7991			
Extraordinary Items			57,198.00	
<b>Net Income</b>			<b>2,416,482.97</b>	

**LOCAL EXCHANGE CARRIER ANNUAL REPORT**  
**Schedule #2- Balance Sheet**

Date of Balance Sheet: December 31, 2005

Description	GA Accounts	Balance at Close of Year
<b>Current Assets</b>		
Cash		1,797,119.38
Temporary Investments		
Telecommunications Accounts Receivables		395,076.39
Allowance for Bad Debts		(50,000.00)
Interest, Dividends & Other Accounts Receivable		1,196,013.02
Notes Receivable-Net		
Materials & Supplies Inventory		486,136.60
Other Current Assets		112,000.00
<b>Total Current Assets</b>		<b>3,947,245.39</b>
<b>Prepaid Accounts &amp; Deferred Charges</b>		
Prepays		105,522.32
Deferred Charges		
<b>Total Prepaid Accounts &amp; Deferred Charges</b>		<b>105,522.32</b>
<b>Non-Current Assets</b>		
Investments in Affiliated Companies		
Investment in Non-Affiliated Companies		189,469.00
Non-Regulated Investments		
Other Non-Current Assets		48,436.66
<b>Total Non-Current Assets</b>		<b>237,925.66</b>
<b>Telecommunications Plant</b>		
Telephone Plant in Service		65,085,094.51
Property Held for Future Use		
Telecommunications Plant under Construction		1,121,608.69
Telecommunications Plant Adjustment		346,226.51

**Schedule #2- Balance Sheet-Continued**

Description	GA Accounts	Balance at Close of Year
<b>Telecommunications Plant-Continued</b>		
<b>Non-Operating Plant</b>		
Goodwill		835,678.36
<b>Total Plant</b>		<b>67,390,698.07</b>
<b>Depreciation Reserve-Plant</b>		<b>49,759,280.45</b>
<b>Depreciation Reserve-Other</b>		
<b>Total Depreciation Reserve</b>		<b>49,759,280.45</b>
<b>Net Telecommunications Plant</b>		<b>17,631,417.62</b>
<b>Total Assets</b>		<b>21,922,110.99</b>
<b>Current and Accrued Liabilities</b>		
Accounts Payable		1,518,125.36
Notes Payable-Affiliated		1,000,000.00
Advance Billings and Payments		218,333.02
Customer Deposits		277,544.29
Current Maturities-Long Term Debt		
Current Maturities-Capital Leases		
Income Taxes Accrued		(707,248.00)
Other Accrued Taxes		489,483.23
Other Accrued Liabilities		1,834,170.76
Other Current Liabilities		
<b>Total Current and Accrued Liabilities</b>		<b>4,660,410.66</b>
<b>Other Liabilities and Deferred Credits</b>		
Other Long Term Liabilities		
Premium on Long Term Debt		
Unamortized Operating Investment Tax Credits-Net		

Schedule #2- Balance Sheet-Continued

Description	GL Accounts	Balance at Close of Year
<b>Other Liabilities and Deferred Credits-Continued</b>		
Unamortized Nonoperating Investment Tax Credits-Net		
Other Deferred Credits		84,835.00
Net Current Deferred Operating Income Taxes		
Net Current Deferred Nonoperating Income Taxes		
Net Noncurrent Deferred Operating Income Taxes		(32,000.00)
Net Noncurrent Deferred Nonoperating Income Taxes		
Other Jurisdictional Liabilities and Deferred Credits		
<b>Total Other Liabilities and Other Credits</b>		<b>52,835.00</b>
<b>Long Term Debt</b>		
Funded Debt		
Reacquired Debt		
Obligations Under Capital Leases		
Advances from Affiliated Companies		
Other Long Term Debt		
<b>Total Long Term Debt</b>		
<b>Total Liabilities</b>		
<b>Stockholders Equity</b>		
Capital Stock		3,600,000.00
Additional Paid in Capital		999,000.00
Treasury Stock		
Other Capital		
Retained Earnings		12,609,866.33
<b>Total Stockholders Equity</b>		<b>17,208,866.33</b>
<b>Total Stockholders Equity and Liabilities</b>		<b>21,922,110.99</b>

**Schedule #3-Retained Earnings**

<b>Description</b>	<b>Debits</b>	<b>Credits</b>
<b>Retained Earnings Account</b>		
<b>Retained Earnings-Beginning of Year</b>		<b>13,193,482.36</b>
<b>Miscellaneous Debits to Retained Earnings</b>		
<b>Miscellaneous Credits to Retained Earnings</b>		
<b>Net Income or Loss From Operations</b>		<b>2,416,402.97</b>
<b>Retained Earnings-End of Year</b>		
<b>Appropriated Retained Earnings:</b>		
<b>Dividends Declared</b>	<b>3,000,000.00</b>	
<b>Other</b>		
<b>Unappropriated Retained Earnings:</b>		
<b>Jurisdictional Retained Earnings</b>		
<b>Other</b>		
<b>Retained Earnings-Total End of Year</b>		<b>12,609,885.33</b>

**Schedule #7-Access Lines**

<b>Total Business</b>	<u>N/A</u>
<b>Total Residence</b>	<u>N/A</u>
<b>Total Access Lines</b>	<u>16,250</u>
<b>Total Number of Customers</b>	<u>N/A</u>
<b>Total Wholesale Customers</b>	<u>N/A</u>
<b>Total Wholesale DSL Customers</b>	<u>N/A</u>

**BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA**

**Docket No. 2008-328-C**

---

In Re: Application of Time Warner Cable Information )  
Services (South Carolina) LLC, d/b/a Time )  
Warner Cable to Amend its Certificate of Public )  
Convenience and Necessity to Provide )  
Telephone Services in the Service Area of )  
PBT Telecom, Inc. and for Alternative Regulation )

---

**DIRECT TESTIMONY OF**

**WARREN R. FISCHER, C.P.A.**

**ON BEHALF OF**

**TIME WARNER CABLE INFORMATION SERVICES (SOUTH CAROLINA) LLC**

**EXHIBIT WRF-7**

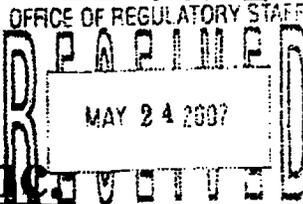
**Cited Portions of PBT's 2006 Telecommunications Company Annual Report**

# TELECOMMUNICATIONS COMPANY ANNUAL REPORT

OF

**PBT Telecom, Inc.**

Exact Legal Name of Respondent



PSC/ORS Number (leave blank)

**FOR THE YEAR ENDED 2006**

Calendar Year Ending December 31, 2006

or

Fiscal Year Ending \_\_\_\_\_



**LOCAL EXCHANGE CARRIER ANNUAL REPORT**  
**Schedule #1-Operating Revenue & Expenses**

Year Ending December 31, 2006

<b>Operating Revenues:</b>	<b>Uniform System of Accounts</b>	<b>G/L Accounts</b>	<b>Combined</b>	<b>Intrastate</b>
Local Network Service Revenues	5001-5069		6,117,755	
Network Access Service Revenues	5080		13,168,562	
Long Distance Revenues	5100-5189		N/A	
Miscellaneous Revenues	5230-5270		354,545	
Uncollectible Revenues	5301-5302		(42,093)	
<b>Total Revenues</b>			<b>19,598,769</b>	
<b>Operating Expenses:</b>				
Plant Specific Expenses	6112-6410		4,788,785	
Plant Nonspecific Expenses	6560		6,224,461	
Customer Operations Expenses	6620		1,958,063	
Corporate Operations Expenses	6711-6790		1,968,335	
Operating Taxes other than Income	7240		484,799	
Operating Investment Tax Credits-Net	7210			
Operating Taxes-Income-Current-Federal	7220		1,545,000	
Operating Taxes-Income-Current-State	7230		234,000	
Operating Taxes-Deferred Income-Net	7250			
<b>Total Operations Expenses</b>			<b>17,203,443</b>	
<b>Net Income from Operations</b>			<b>2,395,326</b>	
Interest Income	7320		N/A	
Nonoperating Income and Expenses	7310-7450		N/A	
Fixed Charges-(Other Than Interest on Debt)			N/A	
Interest Expense on Funded Debt	7510		N/A	
Non-regulated Net Income	7610-7991		N/A	
Extraordinary Items			N/A	
<b>Net Income</b>			<b>2,395,326</b>	

**LOCAL EXCHANGE CARRIER ANNUAL REPORT**  
**Schedule #2- Balance Sheet**

Date of Balance Sheet: December 31, 2006

Description	G/L Accounts	Balance at Close of Year
<b>Current Assets</b>		
Cash		N/A
Temporary Investments		N/A
Telecommunications Accounts Receivables		N/A
Allowance for Bad Debts		N/A
Interest, Dividends & Other Accounts Receivable		N/A
Notes Receivable-Net		N/A
Materials & Supplies Inventory		N/A
Other Current Assets		N/A
<b>Total Current Assets</b>		N/A
<b>Prepaid Accounts &amp; Deferred Charges</b>		
Prepays		N/A
Deferred Charges		N/A
<b>Total Prepaid Accounts &amp; Deferred Charges</b>		N/A
<b>Non-Current Assets</b>		
Investments in Affiliated Companies		N/A
Investment in Non-Affiliated Companies		N/A
Non-Regulated Investments		N/A
Other Non-Current Assets		N/A
<b>Total Non-Current Assets</b>		N/A
<b>Telecommunications Plant</b>		
Telephone Plant in Service		N/A
Property Held for Future Use		N/A
Telecommunications Plant under Construction		N/A
Telecommunications Plant Adjustment		N/A

**Schedule #2- Balance Sheet-Continued**

<b>Description</b>	<b>GA Accounts</b>	<b>Balance at Close of Year</b>
<b>Telecommunications Plant-Continued</b>		
Non-Operating Plant		N/A
Goodwill		N/A
<b>Total Plant</b>		N/A
Depreciation Reserve-Plant		N/A
Depreciation Reserve-Other		N/A
<b>Total Depreciation Reserve</b>		N/A
<b>Net Telecommunications Plant</b>		N/A
<b>Total Assets</b>		N/A
<b>Current and Accrued Liabilities</b>		
Accounts Payable		N/A
Notes Payable-Affiliated		N/A
Advance Billings and Payments		N/A
Customer Deposits		N/A
Current Maturities-Long Term Debt		N/A
Current Maturities-Capital Leases		N/A
Income Taxes Accrued		N/A
Other Accrued Taxes		N/A
Other Accrued Liabilities		N/A
Other Current Liabilities		N/A
<b>Total Current and Accrued Liabilities</b>		N/A
<b>Other Liabilities and Deferred Credits</b>		
Other Long Term Liabilities		N/A
Premium on Long Term Debt		N/A
Unamortized Operating Investment Tax Credits-Net		N/A

**Schedule #2- Balance Sheet-Continued**

<b>Description</b>	<b>GL Accounts</b>	<b>Balance at Close of Year</b>
<b>Other Liabilities and Deferred Credits-Continued</b>		
Unamortized Nonoperating Investment Tax Credits-Net		N/A
Other Deferred Credits		N/A
Net Current Deferred Operating Income Taxes		N/A
Net Current Deferred Nonoperating Income Taxes		N/A
Net Noncurrent Deferred Operating Income Taxes		N/A
Net Noncurrent Deferred Nonoperating Income Taxes		N/A
Other Jurisdictional Liabilities and Deferred Credits		N/A
<b>Total Other Liabilities and Other Credits</b>		<b>N/A</b>
<b>Long Term Debt</b>		
Funded Debt		N/A
Reacquired Debt		N/A
Obligations Under Capital Leases		N/A
Advances from Affiliated Companies		N/A
Other Long Term Debt		N/A
<b>Total Long Term Debt</b>		<b>N/A</b>
<b>Total Liabilities</b>		<b>N/A</b>
<b>Stockholders Equity</b>		
Capital Stock		N/A
Additional Paid in Capital		N/A
Treasury Stock		N/A
Other Capital		N/A
Retained Earnings		N/A
<b>Total Stockholders Equity</b>		<b>N/A</b>
<b>Total Stockholders Equity and Liabilities</b>		<b>N/A</b>

**Schedule #3-Retained Earnings**

<b>Description</b>	<b>Debits</b>	<b>Credits</b>
<b>Retained Earnings Account</b>		N/A
<b>Retained Earnings-Beginning of Year</b>		N/A
<b>Miscellaneous Debits to Retained Earnings</b>		N/A
<b>Miscellaneous Credits to Retained Earnings</b>		N/A
<b>Net Income or Loss From Operations</b>		N/A
<b>Retained Earnings-End of Year</b>		N/A
<b>Appropriated Retained Earnings:</b>		N/A
<b>Dividends Declared</b>		N/A
<b>Other</b>		N/A
<b>Unappropriated Retained Earnings:</b>		N/A
<b>Jurisdictional Retained Earnings</b>		N/A
<b>Other</b>		N/A
<b>Retained Earnings-Total End of Year</b>		N/A

**Schedule #7-Access Lines**

<b>Total Business</b>	<u>N/A</u>
<b>Total Residence</b>	<u>N/A</u>
<b>Total Access Lines</b>	<u>15,841</u>
<b>Total Number of Customers</b>	<u>N/A</u>
<b>Total Wholesale Customers</b>	<u>N/A</u>
<b>Total Wholesale DSL Customers</b>	<u>N/A</u>

**BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA**

**Docket No. 2008-328-C**

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In Re: Application of Time Warner Cable Information )  
Services (South Carolina) LLC, d/b/a Time )  
Warner Cable to Amend its Certificate of Public )  
Convenience and Necessity to Provide )  
Telephone Services in the Service Area of )  
PBT Telecom, Inc. and for Alternative Regulation )

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**DIRECT TESTIMONY OF**

**WARREN R. FISCHER, C.P.A.**

**ON BEHALF OF**

**TIME WARNER CABLE INFORMATION SERVICES (SOUTH CAROLINA) LLC**

**EXHIBIT WRF-8**

**Cited Portions of AT&T South Carolina's 2007 Telecommunications Company Annual Report**



**LOCAL EXCHANGE CARRIER ANNUAL REPORT**  
**Schedule #1-Operating Revenue & Expenses**

**Year Ending December 31, 2007**

<b>Operating Revenues:</b>	<b>Uniform System of Accounts</b>	<b>G/L Accounts</b>	<b>Combined</b>	<b>Intrastate</b>
<b>Local Network Service Revenues</b>	<b>5001-5069</b>	<b>5000</b>	<b>474,968,464</b>	<b>474,968,464</b>
<b>Network Access Service Revenues</b>	<b>5080</b>	<b>5080</b>	<b>289,406,195</b>	<b>43,721,804</b>
<b>Long Distance Revenues</b>	<b>5100-5169</b>	<b>5100</b>	<b>21,914,109</b>	<b>21,662,309</b>
<b>Miscellaneous Revenues</b>	<b>5230-5270</b>	<b>5200</b>	<b>257,603,430</b>	<b>91,472,655</b>
<b>Uncollectible Revenues</b>	<b>5301-5302</b>	<b>5300</b>	<b>(13,633,008)</b>	<b>(8,544,589)</b>
<b>Total Revenues</b>			<b>1,030,259,190</b>	<b>623,300,643</b>
<b>Operating Expenses:</b>				
<b>Plant Specific Expenses</b>	<b>6112-6410</b>	<b>6112-6441</b>	<b>139,676,252</b>	
<b>Plant Nonspecific Expenses</b>	<b>6560</b>	<b>6511-6560</b>	<b>342,263,577</b>	
<b>Customer Operations Expenses</b>	<b>6610-6620</b>	<b>6611-6623</b>	<b>103,745,205</b>	
<b>Corporate Operations Expenses</b>	<b>6711-6790</b>	<b>6720-7100</b>	<b>83,990,679</b>	
<b>Operating Taxes other than Income</b>	<b>7240</b>	<b>7240</b>	<b>48,896,901</b>	
<b>Operating Investment Tax Credits-Net</b>	<b>7210</b>	<b>7210</b>	<b>(11)</b>	
<b>Operating Taxes-Income-Current-Federal</b>	<b>7220</b>	<b>7220</b>	<b>103,362,728</b>	
<b>Operating Taxes-Income-Current-State</b>	<b>7230</b>	<b>7230</b>	<b>11,843,793</b>	
<b>Operating Taxes-Deferred Income-Net</b>	<b>7250</b>	<b>7250</b>	<b>(7,273,526)</b>	
<b>Total Operations Expenses</b>			<b>826,496,498</b>	
<b>Net Income from Operations</b>			<b>203,763,692</b>	
<b>Interest Income</b>	<b>7320</b>	<b>7300-1200</b>	<b>37,638</b>	
<b>Nonoperating Income and Expenses</b>	<b>7310-7450</b>	<b>7300-7400 Less</b>	<b>(85,124,465)</b>	
<b>Fixed Charges-(Other Than Interest on Debt)</b>		<b>7500 Less</b>	<b>20,260,833</b>	
<b>Interest Expense on Funded Debt</b>	<b>7510</b>	<b>7500-1000</b>	<b>9,157,586</b>	
<b>Non-regulated Net Income</b>	<b>7610-7991</b>	<b>7600-7990</b>	<b>0</b>	
<b>Extraordinary Items</b>				
<b>Net Income</b>			<b>89,258,446</b>	

**LOCAL EXCHANGE CARRIER ANNUAL REPORT**  
**Schedule #2- Balance Sheet**

Date of Balance Sheet: December 31, 2007

Description	G/L Accounts	Balance at Close of Year
<b>Current Assets</b>		
Cash	1120	0
Temporary Investments	1120.6000	0
Telecommunications Accounts Receivables (See End Note C)	1170	N/A
Allowance for Bad Debts (See End Note C)	1171	N/A
Interest, Dividends & Other Accounts Receivable (See End Note C)	1170.8200	N/A
Notes Receivable-Net (See End Note C)	1170.8100	N/A
Materials & Supplies Inventory	1220	5,055,919
Other Current Assets	1350	0
<b>Total Current Assets</b>		<b>5,055,919</b>
<b>Prepaid Accounts &amp; Deferred Charges</b>		
Prepays	1280	0
Deferred Charges (See End Note B)	1437-1438	707,696
<b>Total Prepaid Accounts &amp; Deferred Charges</b>		<b>707,696</b>
<b>Non-Current Assets</b>		
Investments in Affiliated Companies	1410.1000	0
Investment in Non-Affiliated Companies	1410.7000	0
Non-Regulated Investments	1406	0
Other Non-Current Assets	1410.0000	0
<b>Total Non-Current Assets</b>		<b>0</b>
<b>Telecommunications Plant</b>		
Telephone Plant in Service (See End Note E)	2001	4,238,524,119
Property Held for Future Use	2002	0
Telecommunications Plant under Construction	2003	2,065,772
Telecommunications Plant Adjustment (See End Note E)	2005	0

**Schedule #2- Balance Sheet-Continued**

Description	G/L Accounts	Balance at Close of Year
<b>Telecommunications Plant-Continued</b>		
Non-Operating Plant	2006	25,766
Goodwill	2007	0
<b>Total Plant</b>		<b>4,240,615,657</b>
Depreciation Reserve-Plant	3100	3,140,533,419
Depreciation Reserve-Other (See End Note E)	3200-3600	59,967,462
<b>Total Depreciation Reserve</b>		<b>3,200,500,881</b>
<b>Net Telecommunications Plant</b>		<b>1,040,114,776</b>
<b>Total Assets</b>		<b>1,045,878,391</b>
<b>Current and Accrued Liabilities</b>		
Accounts Payable (See End Note D)	4000.1000	N/A
Notes Payable-Affiliated	4000.2100	0
Advance Billings and Payments	4130.4000	29,213,787
Customer Deposits	4040	2,482,710
Current Maturities-Long Term Debt	4130.5100	0
Current Maturities-Capital Leases	4130.6000	0
Income Taxes Accrued	4070	173,627,492
Other Accrued Taxes	4080	39,718,593
Other Accrued Liabilities	4130.2900	(1,594,629)
Other Current Liabilities	4130 Less 4130.4000 Less 4130.2900	6,396,104
<b>Total Current and Accrued Liabilities</b>		<b>249,844,057</b>
<b>Other Liabilities and Deferred Credits</b>		
Other Long Term Liabilities (See End Note D)	4300	N/A
Premium on Long Term Debt	4200.2100	0
Unamortized Operating Investment Tax Credits-Net	4320	-

**Schedule #2- Balance Sheet-Continued**

<b>Description</b>	<b>GL Accounts</b>	<b>Balance at Close of Year</b>
<b>Other Liabilities and Deferred Credits-Continued</b>		
Unamortized Nonoperating Investment Tax Credits-Net	4330	0
Other Deferred Credits (See End Note B)	4300.4300	174,855
Net Current Deferred Operating Income Taxes	4100	(475,487)
Net Current Deferred Nonoperating Income Taxes	4110	2,777,874
Net Noncurrent Deferred Operating Income Taxes	4340	197,842,433
Net Noncurrent Deferred Nonoperating Income Taxes	4350	(4,220,869)
Other Jurisdictional Liabilities and Deferred Credits	4370	0
<b>Total Other Liabilities and Other Credits</b>		<b>196,095,996</b>
<b>Long Term Debt</b>		
Funded Debt	4200.1000	0
Reacquired Debt	N/A	N/A
Obligations Under Capital Leases	4200.2300	0
Advances from Affiliated Companies	4200.3000	0
Other Long Term Debt	4200.2400	0
<b>Total Long Term Debt</b>		<b>0</b>
<b>Total Liabilities</b>		<b>445,943,053</b>
<b>Stockholders Equity</b>		
Capital Stock		0
Additional Paid in Capital		0
Treasury Stock		0
Other Capital		0
Headquarters Control	9999	599,935,338
<b>Total Stockholders Equity</b>		<b>599,935,338</b>
<b>Total Stockholders Equity and Liabilities</b>		<b>1,045,878,391</b>

**Schedule #3-Retained Earnings**

Description	Debits	Credits
<b>Retained Earnings Account</b>		
<b>Retained Earnings-Beginning of Year</b>		<b>741,834,007</b>
<b>Miscellaneous Debits to Retained Earnings</b>		
<b>Miscellaneous Credits to Retained Earnings</b>		
<b>Net Income or Loss From Operations</b>		<b>89,258,446</b>
<b>Retained Earnings-End of Year</b>		
<b>Appropriated Retained Earnings:</b>		
<b>Dividends Declared</b>		
<b>Other</b>		
<b>Unappropriated Retained Earnings:</b>		
<b>Jurisdictional Retained Earnings</b>		
<b>Other</b>	<b>231,157,115</b>	
<b>Retained Earnings-Total End of Year</b>		<b>599,935,338</b>

**Schedule #7- South Carolina Local Access Lines**

<b>Total Business (See End Note F)</b>	<u><b>339,764</b></u>
<b>Total Residence (See End Note F)</b>	<u><b>716,177</b></u>
<b>Total Lifeline Access Lines (See End Note H)</b>	<u><b>23,480</b></u>
<b>Total Access Lines (See End Note F)</b>	<u><b>1,079,411</b></u>
<b>Total Number of Customers</b>	<u><b>787,387</b></u>
<b>Total Wholesale Customers (See End Note G)</b>	<u><b>165</b></u>
<b>Total Wholesale DSL Customers (See End Note G)</b>	<u><b>16</b></u>